

System and Method of Pricing of a Financial Product or Service Using a Waterfall Tool

by Jonathan BOSWELL et al.

U.S. Application Serial No. 10/0238,284

Attorney Docket No. 52493.000163

filed December 28, 2001

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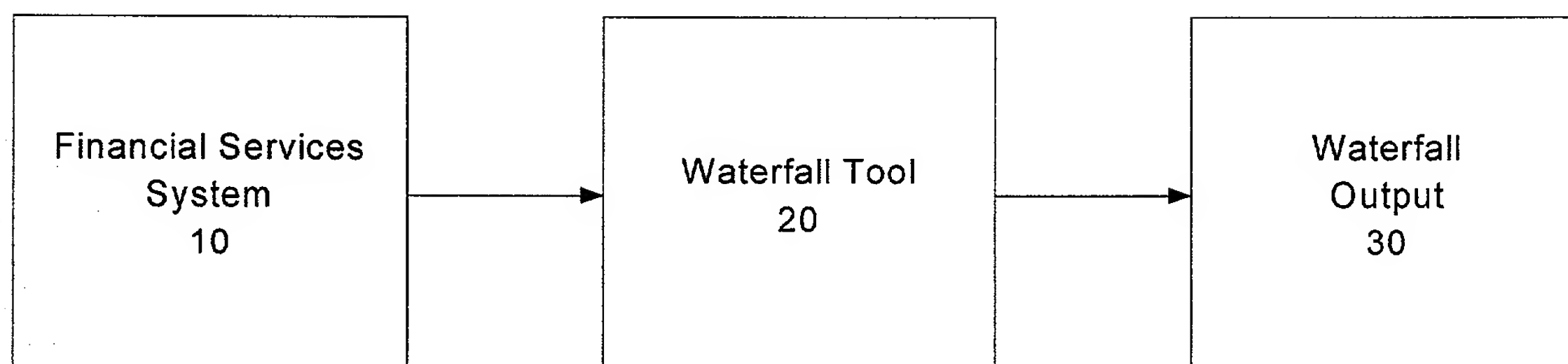


Figure 1

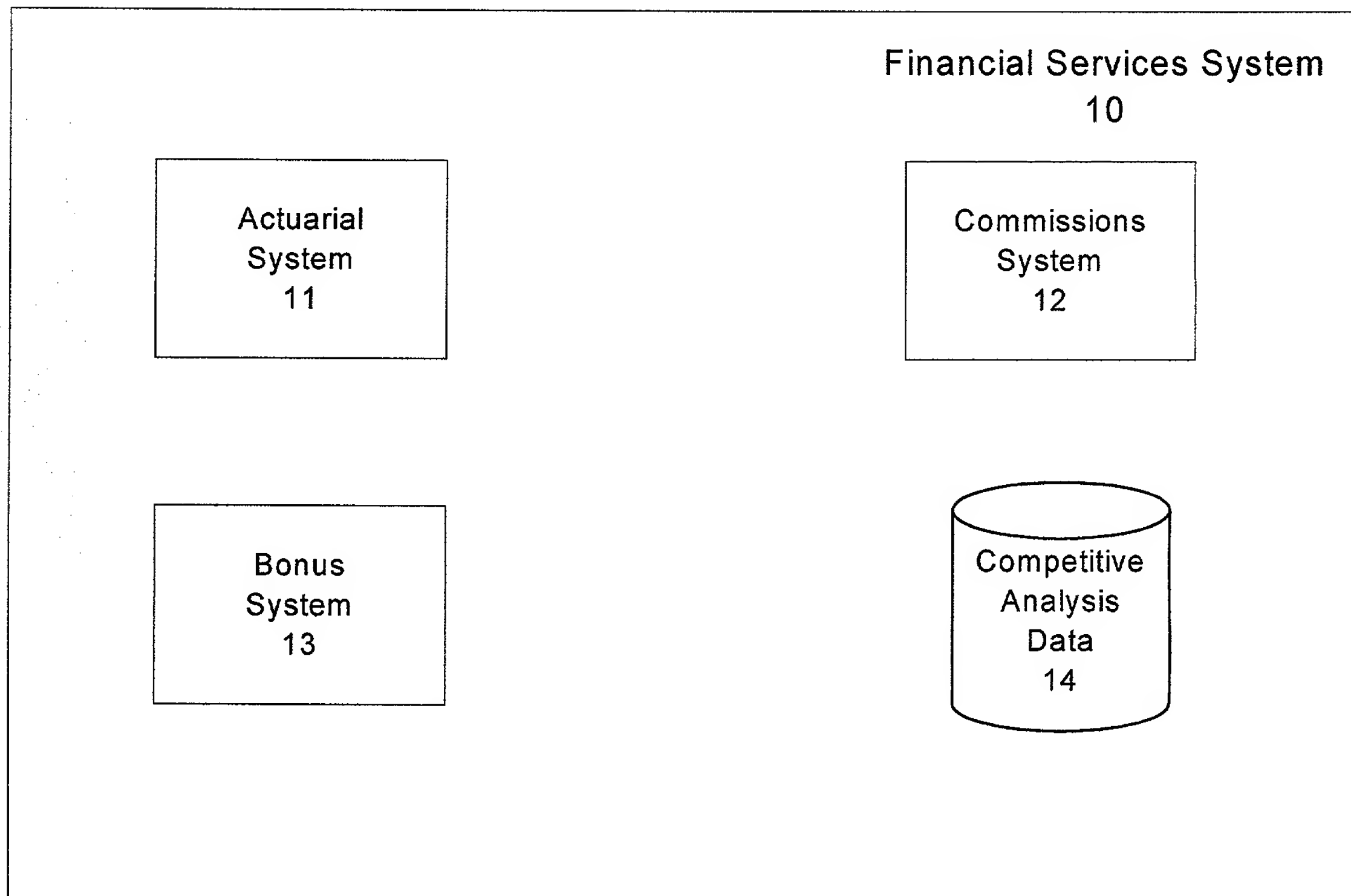


Figure 2

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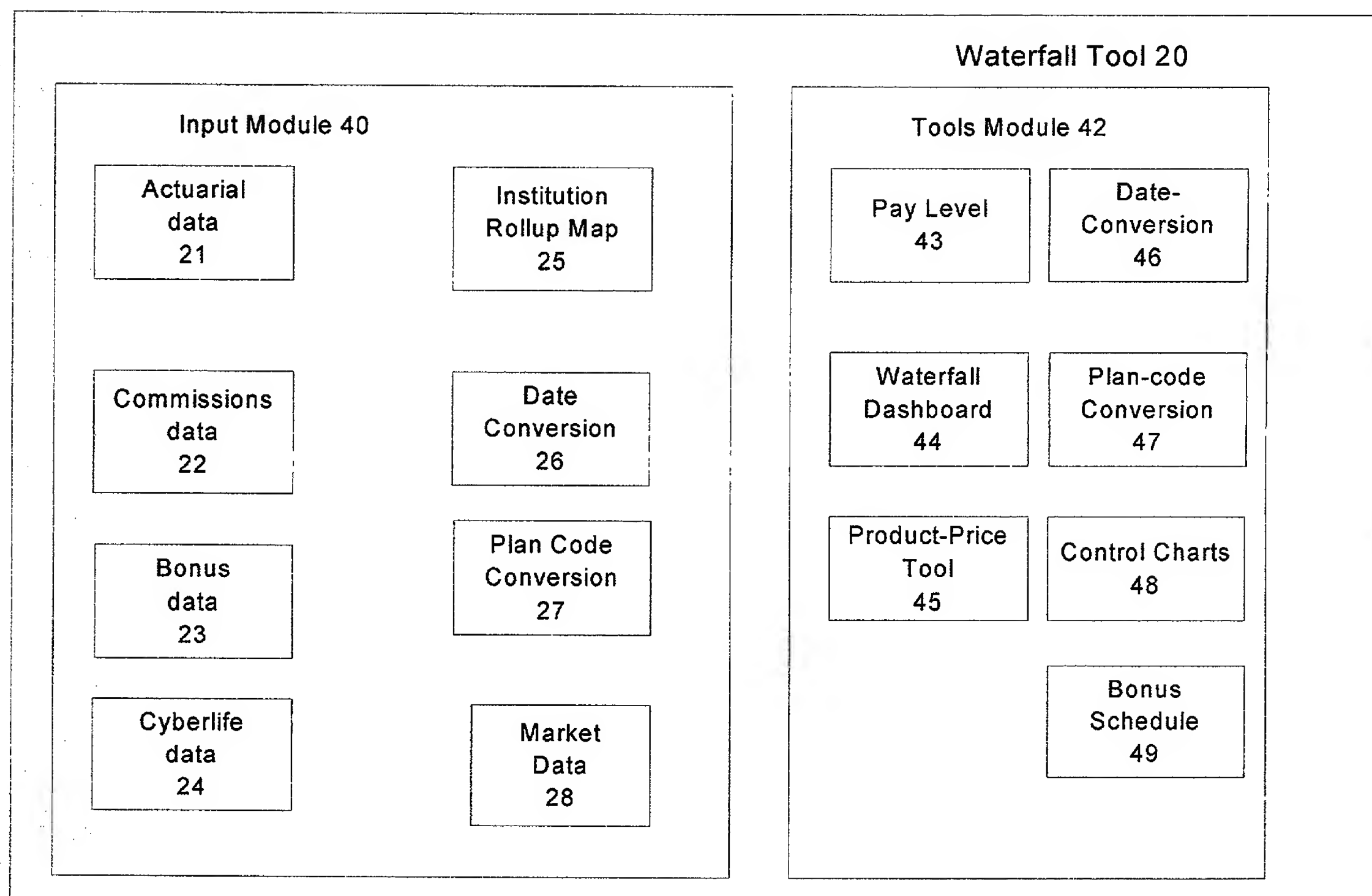


Figure 3

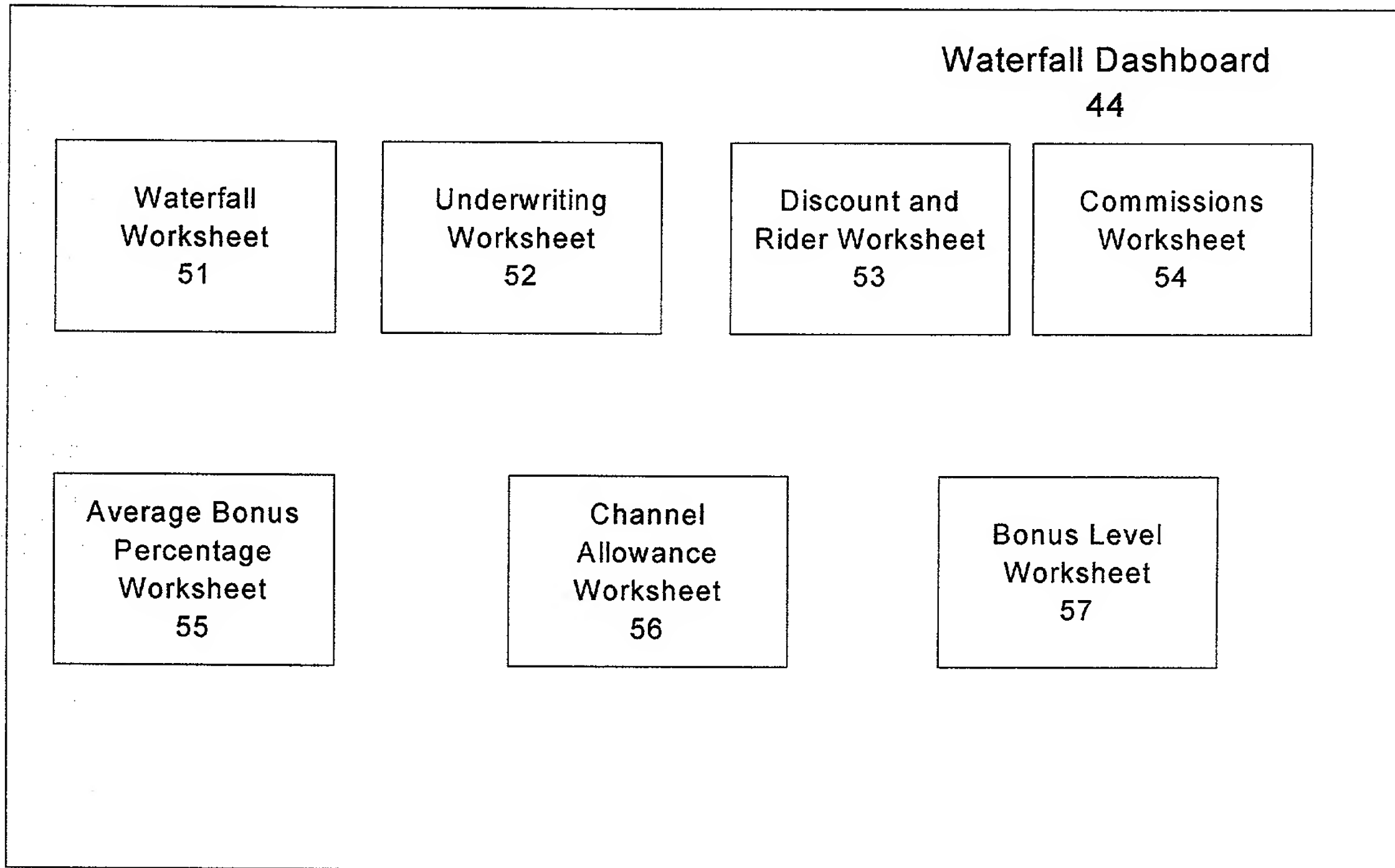


Figure 4

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Waterfall Worksheet

	Gross Premium	Rider Premiums	Premiums w/o Riders	Comm.Pra	Commission	Factor	PV Premium	PV Commission
Total	\$101,251,487.85	\$1,188,442.79	\$100,102,045.06	\$55,061,001.35	\$94,030,808.23	7	\$700,714,315.42	\$15,685,065.22
Count								
SPOUSE	34335							
Market Price	Market Gap	List Price	UW	Discounts	Riders	Premium	Commissions	Bonus
	\$347,980.56		\$1,371,338.02	\$1,716,750.00	\$1,188,442.79	\$100,102,045.06	\$94,030,808.23	\$37,010,526.12
	\$2,435,853.82		\$9,599,788.12	\$12,017,250.00	\$5,947,213.65	\$700,714,315.42	\$189,716,873.45	\$37,010,526.12
Market Price	Market Gap	List Price	UW	Discounts	Riders	Premium	Commissions	Bonus
101.89%	0.35%	102.24%	1.37%	1.71%	0.89%	100.00%	13.42%	0%
0%	0%	0%	0%	0%	0%	0%	2%	5.28%

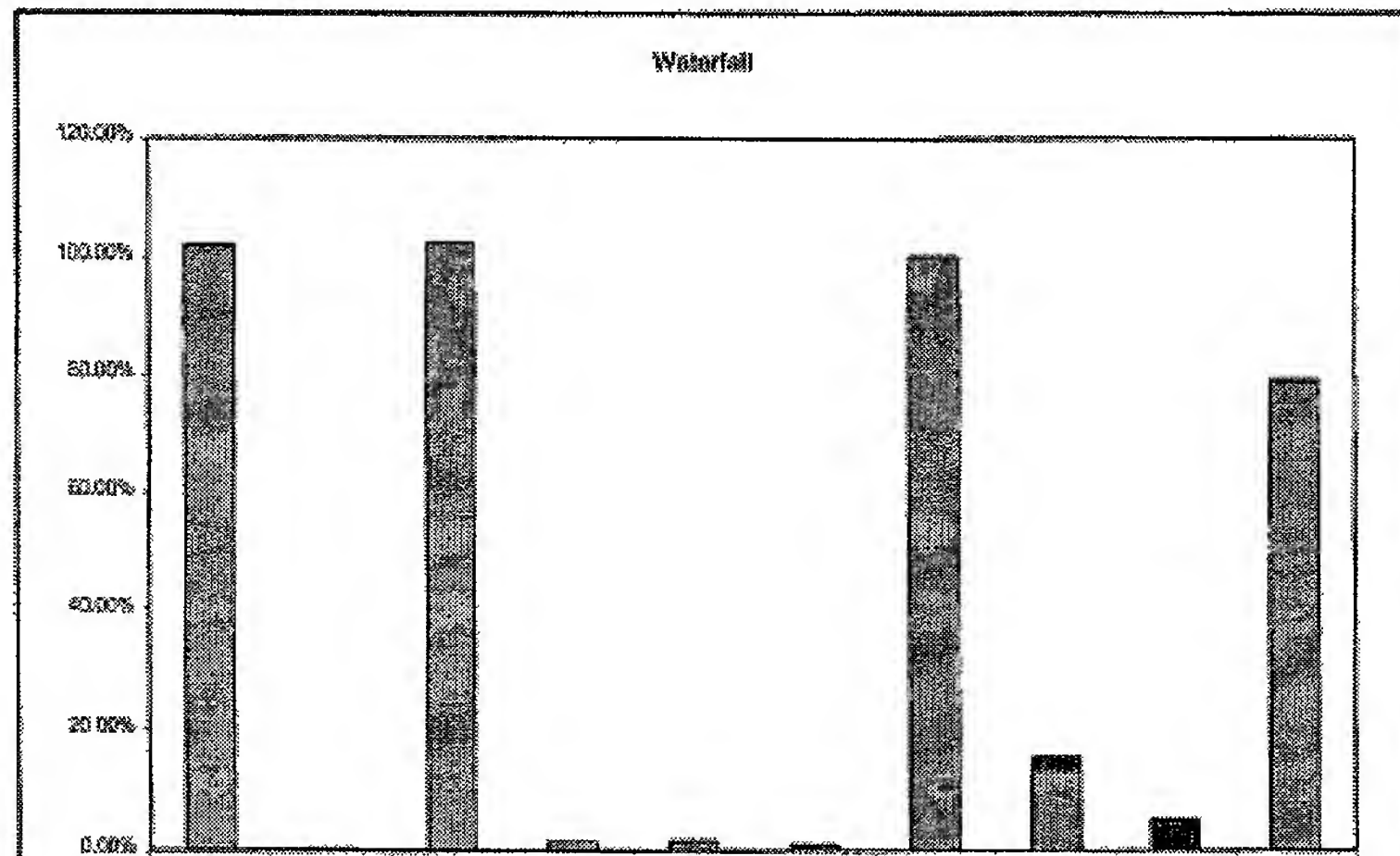


Figure 5

Underwriting Worksheet

	UFLIC	AM	WRO	LYN	RIC	FHL	Overall
% Reclassified	3%	2%	0%	3%	7%	5%	3%
Premium Leakage	\$ 30.00	\$ 20.00	\$ -	\$ 600.00	\$ 500.00	\$ 32.00	\$ 1,250.00
Target Error %	5%	5%	5%	5%	5%	5%	5%

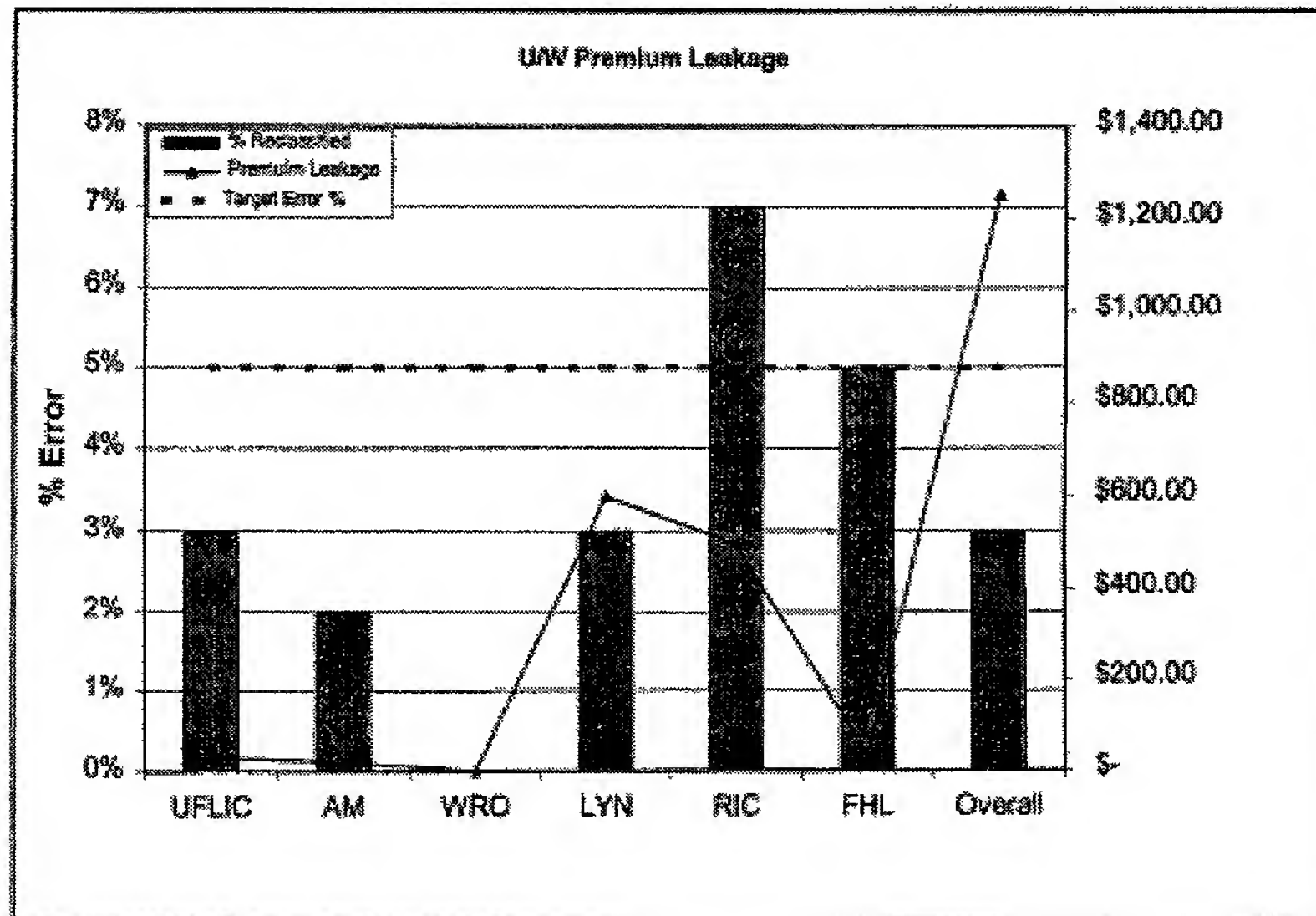


Figure 6

Discount & Rider Worksheet

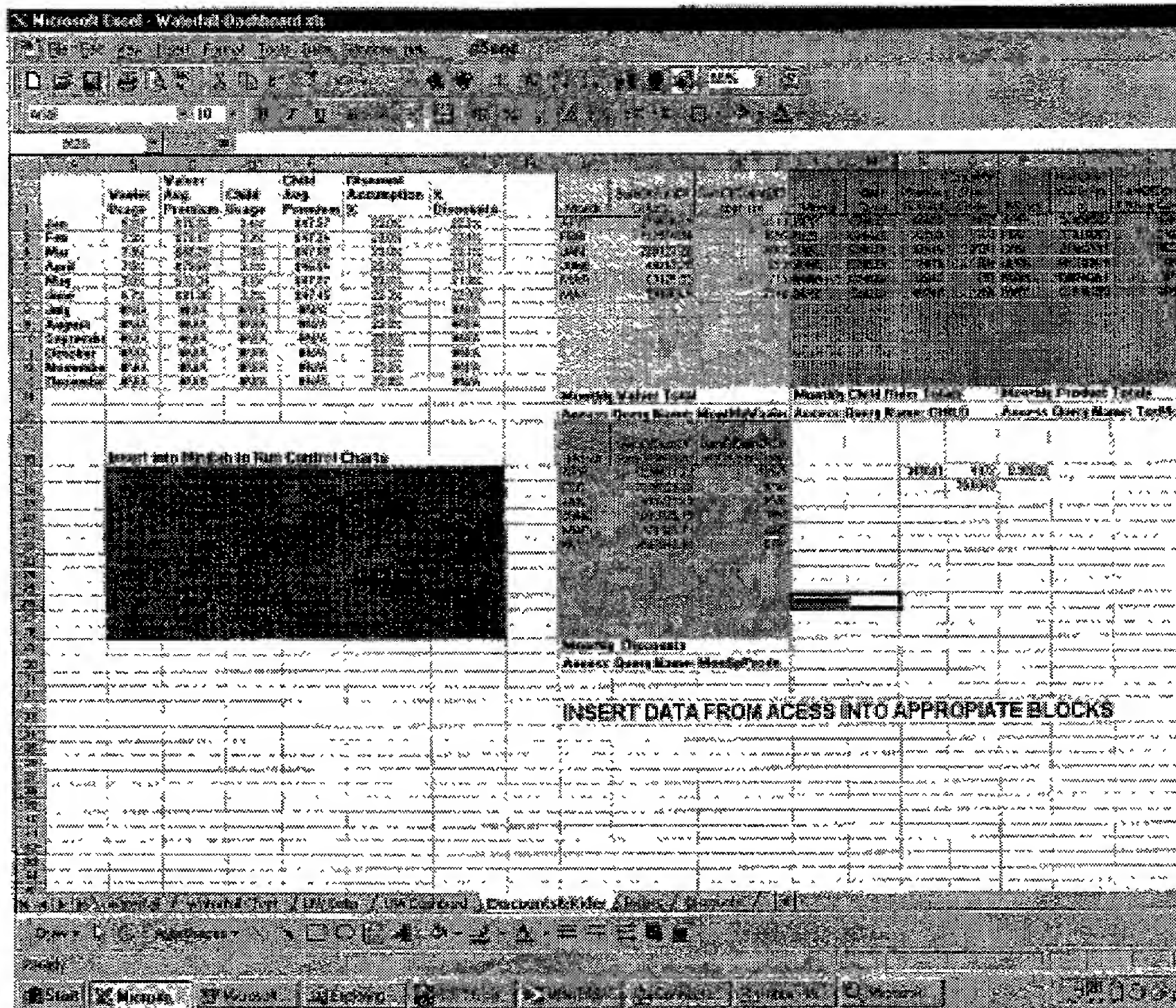


Figure 7

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	Z. Kemper	Banner	First Penn	Sec. CT	C.N.A.	NACOLAH
Rate	146%	129%	128%	123%	105%	85%
Pay Out Delta	\$5,034,084.18	\$8,536,055.79	\$14,445,632.87	\$17,072,111.57	\$21,143,153.57	\$47,407,940.60

Figure 8

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Channel Allowance Worksheet

	BGA	AMSG	BANK	PFS	E-Commerce	Target
1Q00			126%	215%		100%
2Q00		164%	131%	190%		100%
3Q00						100%
4Q00						100%

Figure 9

Avg. Bonus Percent Worksheet

	Actual Bonus Level	Yr. End Projected	Bonus Target
1Q00	36.4%	39.8%	36.0%
2Q00	37.8%	39.8%	36.0%
3Q00			36.0%
4Q00			36.0%

51

Figure 10

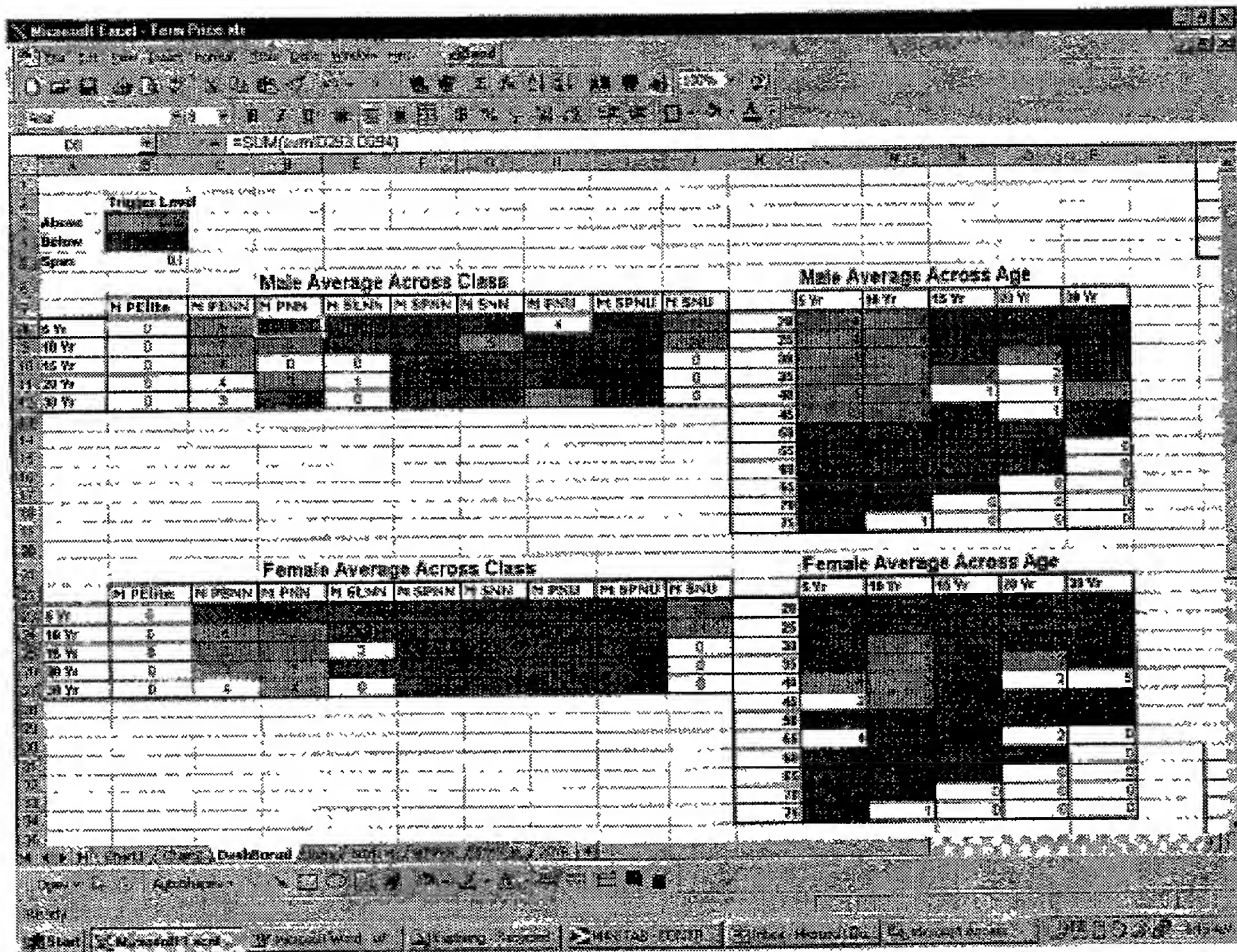


Figure 11

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Paste UBS Data into Yellow Highlighted Areas:

UBS Name	Company Name	Reservable Amount	Additional Qualifying	STUDY GROUP	STUDY GROUP CODE
UBS 1	UBS 1	1000000	1000000	UBS 1	UBS 1
UBS 2	UBS 2	1000000	1000000	UBS 2	UBS 2
UBS 3	UBS 3	1000000	1000000	UBS 3	UBS 3
UBS 4	UBS 4	1000000	1000000	UBS 4	UBS 4
UBS 5	UBS 5	1000000	1000000	UBS 5	UBS 5
UBS 6	UBS 6	1000000	1000000	UBS 6	UBS 6
UBS 7	UBS 7	1000000	1000000	UBS 7	UBS 7
UBS 8	UBS 8	1000000	1000000	UBS 8	UBS 8
UBS 9	UBS 9	1000000	1000000	UBS 9	UBS 9
UBS 10	UBS 10	1000000	1000000	UBS 10	UBS 10
UBS 11	UBS 11	1000000	1000000	UBS 11	UBS 11
UBS 12	UBS 12	1000000	1000000	UBS 12	UBS 12
UBS 13	UBS 13	1000000	1000000	UBS 13	UBS 13
UBS 14	UBS 14	1000000	1000000	UBS 14	UBS 14
UBS 15	UBS 15	1000000	1000000	UBS 15	UBS 15
UBS 16	UBS 16	1000000	1000000	UBS 16	UBS 16
UBS 17	UBS 17	1000000	1000000	UBS 17	UBS 17
UBS 18	UBS 18	1000000	1000000	UBS 18	UBS 18
UBS 19	UBS 19	1000000	1000000	UBS 19	UBS 19
UBS 20	UBS 20	1000000	1000000	UBS 20	UBS 20

Figure 12

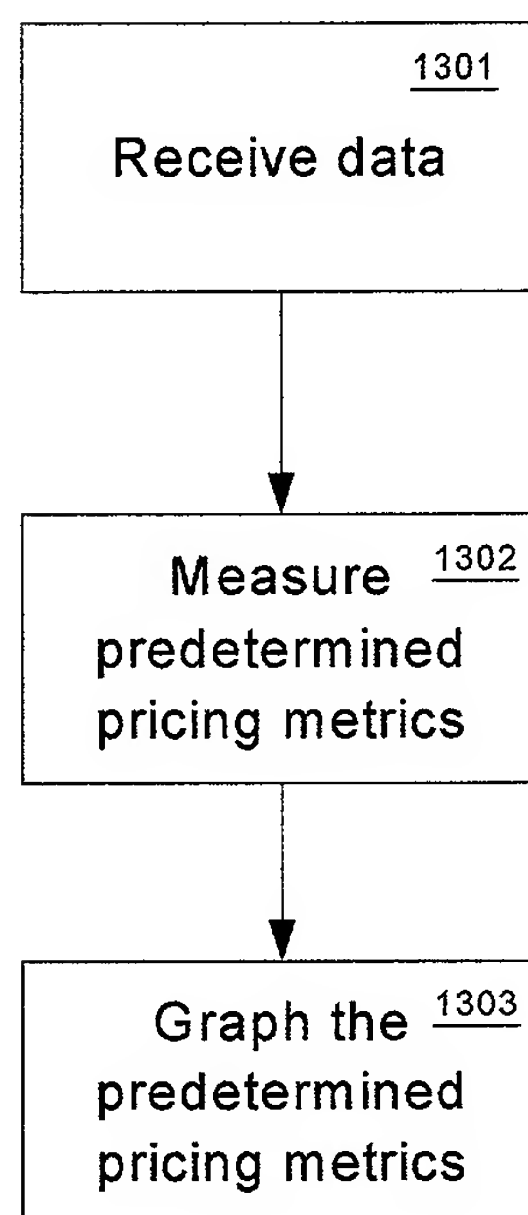


Figure 13

E: Control Plan

Bucket	Measurement	Trigger Level	Current Level	Owner	Data Source	Action Plan
Market Gap	Competitive Rate	Within 5% of market Avg.		Troy Thompson	Barry Koklefsky, Cindy Viner	Evaluate Position of all three Market Gap Metrics;
	Ranking vs. Major Competitors	Within the top 5	TBD			Asses current production levels;
	% Variance from Lowest Price	Within 7% of lowest Price	TBD			Evaluate the need to Reprice
U/W	U/W Error Rate	TBD	TBD	Shawn Parks	Jim Robinson	Evaluate the need to restructure the Underwriting Guidelines
	Premium Leakage	TBD	TBD			
Discount	Trend of Usage Percentage	Exceeds amount assumed in Pricing model	22.10%	Shawn Parks	Barry Kolkefsky	Asses the Level of Discount Production; Root Cause analysis to determine reason for increase;
Riders	Trend of Usage Percentage by Type	TBD	7% WP & 3% Child	Shawn Parks	Barry Kolkefsky	Determine Root Cause for Production Decline;
	Trend Avg. Premium Amount vs. Type	TBD	\$81 WP & \$47 Child			Market research to determine new Types; Action Plan to Increase Productions
Commissions & Bonus						
	Total Pay Out Rate vs. Competition	Within Mid-Market Range of Competitors	TBD		Cindy Viner	Asses Impact of Rate Reduction on Volume; Reevaluate Bonus Schedule;
	Trend of %	Exceed	39.26%	Shawn	Connie	Changes rates if required

Figure 14